

Farm Report

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House Passes Refinery Legislation

On June 7, 2006, the House passed H.R. 5254, the Refinery Permit Process Schedule Act, by a vote of 238 to 179. This important bill, which I cosponsored, seeks to reduce our dependency on foreign oil and relieve gas prices for consumers by streamlining the application process for companies to build refineries.

A new refinery has not been built in the United States since 1976, and the refineries that do exist are operating at, or near, capacity. The ability to refine oil and supply gas to consumers has not kept pace with the demand for gasoline, which is a driving factor in the level and volatility of gas prices. No matter how much crude oil is made available, the U.S. simply does not have the capacity to refine it.



Congressman Pitts meets with Susan Walmer at Foxfield Farms in Berks County.

In addition, massive regulations and skyrocketing litigation costs have prevented the construction of new refineries because potential investors simply don't want to take the risk.

H.R. 5254 improves state and federal coordination and eliminates unnecessary bureaucratic delays in the permitting process. Also included in the bill was my amendment directing the President to select three closed military bases as potential sites for new refineries.

It is now up to the Senate to take action on this bill to reduce our dependency on foreign oil and stabilize gas prices. While passage of this bill may not mean immediate relief at the pump, H.R. 5254 is a meaningful step toward growing our domestic oil refining capacity and, thereby, addressing volatile gas prices.

Update On Farm Bill Reauthorization

In preparation for reauthorizing the 2002 Farm Bill, the House Agricultural Committee has been conducting field hearings throughout the country to gather feedback from producers and review current farm policy. The 2002 Farm Bill expires in September 2007, and Chairman Bob Goodlatte expects to begin the Farm Bill debate early next year. To date, the Committee has

convened field hearings in various regions of the country including North Carolina, Alabama, California, Nebraska, Colorado, and Texas. Chairman Goodlatte intends to conduct roughly a dozen field hearings, as well as hearings in Washington, DC, to review federal farm policy.

The Senate Agriculture, Nutrition, and Forestry Committee

began conducting regional field hearings in May 2006. A field hearing will be conducted in Harrisburg on July 21st.

The multi-year Farm Bill sets agricultural policy with regard to federal farm support, food assistance, agricultural trade, marketing, and rural development. While field hearings are conducted

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Small Business Health Insurance Update

H.R. 525, the Small Business Health Fairness Act of 2005, would allow professional and trade associations to sponsor and provide health insurance to their membership. On July 26, 2005, this bill passed the House, with my support, by a vote of 263 to 165. That makes the third time the House of Representatives has passed legislation that would allow groups to create Association Health Plans to lower health insurance costs and improve health insurance accessibility to the uninsured.

In November 2005, Sen. Mike Enzi, Chairman of the Senate



Congressman Pitts talks with farmers in Lancaster County to discuss issues of concern to the local farming community.

Health, Education, Labor, and Pension (HELP) Committee, introduced a similar bill in the

Senate. S. 1955, the Small Business Health Fairness Act. This legislation seeks to create National Small Business Health Plans (SBHPs) that would allow small business owners to band together and purchase health insurance through national associations at group rates. On May 11, 2006, S. 1955 was blocked from consideration by a procedural maneuver. Senate leaders are now discussing other possibilities to bring the bill to the Senate floor.

Congress Acts to Prevent Tax Increase

In May 2006, Congress passed legislation to cut taxes and prevent current tax rates from increasing. On May 10, 2006, the House passed the final version of H.R. 4297, the Tax Increase Prevention and Reconciliation Act of 2005; the Senate passed the same bill the very next day, and President Bush signed it into law on May 17, 2006.

Currently, individuals generally pay either their Alternative Minimum Tax (AMT) or regular tax, whichever is higher. The purpose of the AMT is to ensure that multi-millionaires and billionaires cannot avoid paying taxes; however, the

AMT has begun to apply to middle-income taxpayers due to inflation.

H.R. 4297 reduces, by \$70 billion, taxes for all Americans by protecting middle-income taxpayers from paying the AMT and extending the reduced 15 percent capital gains and dividends tax rate. This bill also extends the expensing limits for small business owners.

Specifically, H.R. 4297 extends through 2009 the small business expensing allowance. This provision allows small business owners to deduct up to \$108,000 of the total cost of assets purchased in the same year rather than expensing them over time, as done previously.

Congressman Pitts received the "Taxpayer's Friend" Award this spring from the President of the National Taxpayers Union, John Berthoud.



Death and Capital Gains Taxes Update

On February 8, 2005, I introduced H.R. 658, the Family Farm Preservation Act, to eliminate taxes on capital gains when a farmer sells the right to develop his or her land (conservation easement) to a qualified non-profit. In exchange for repealing the capital gains tax, the farmer agrees to restrict the use of the land for agricultural purposes only. The farmer still owns the land, may still cultivate the land, and may pass it on to his or her heirs. Currently, because of the tax burden, farmers are often forced to sell their farms to developers

simply to pay exorbitant estate and capital gains taxes.

H.R. 658 applies only to farms located in counties with a

population of 100 persons or more per square mile. By limiting participation to these farms, the focus of this bill is on counties

surrounding urban areas – those counties most pressured by development. This legislation gives farmers the opportunity to keep their family farms and thereby preserve the open spaces of our beautiful nation.

In addition to easing the tax burden on farmers, I have also worked to make the death tax repeal permanent. Although the House passed legislation I cosponsored to See “TAX UPDATE” on Page Four...



Congressman Pitts has introduced legislation in Congress to preserve Pennsylvania’s farmland.

Hazardous Waste Laws Targeted

Farmers that manage livestock and poultry operations are facing growing concern about potential litigation regarding erroneous interpretations of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), Superfund, and the Emergency Planning and Community Right-to-Know Act (EPCRA).

CERCLA was created to coordinate the clean-up of uncontrolled or abandoned hazardous waste sites and identify those liable for clean-up costs when responsibility is not claimed or is denied. EPCRA establishes requirements for emergency planning and notifications to communities about storage and release of hazardous and toxic chemicals.

The Environmental Protection Agency (EPA), which

enforces CERCLA and EPCRA, has defined livestock emissions, such as ammonia and hydrogen sulfide, as hazardous substances. As a result of this erroneous definition, farmers must comply with burdensome reporting regulations required by CERCLA and EPCRA, in addition to regulations they are required to comply with under the Clean Air Act. In some cases, farmers have been sued by local and state governments for allegedly violating CERCLA and EPCRA.

H.R. 4341, introduced in November 2005, would exempt animal manure from consideration as a hazardous waste. I, along with 140 other Members of Congress, have cosponsored this important bill. On November 16, 2005, the House Committee on Energy and Commerce’s Subcommittee on Environment and Hazardous Materials held a hearing on this



Congressman Pitts talks with farmers during his 2005 Farm Tour.

matter. Currently, efforts are underway to bring this bill to a vote on the House floor. Clearly, animal manure should not be considered a hazardous substance on par with a host of toxic chemicals. It is my hope that Congress will recognize this in a timely manner and change the law to reflect this common sense distinction.

Farm Bill

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across the nation, farmers expect that major policy decisions in the 2007 Farm Bill will, in part, be dependent on the outcome of negotiations at the Doha Round.

World Trade Organization negotiators at the Doha Round have identified three pillars with regard to agricultural trade liberalization: substantial reductions of trade-distorting domestic supports, the gradual elimination of all export subsidies, and increasing market access.

However, progress has been slower than expected, and negotiators missed an important deadline on April 30, 2006, to agree to specific minimum cuts in subsidies and tariffs. The U.S. agricultural sector is increasingly reliant on its ability to export. With at least one-quarter of our nation's agricultural production destined for foreign markets, it is clear that Pennsylvania agriculture has much to gain from successful negotiations at the Doha Round.

Tax Update

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permanently repeal the death tax, the Senate came up short of the votes needed to pass a full repeal.

As a compromise, the House passed legislation that exempts farms and estates worth up to \$5 million per person – \$10 million per married couple – from paying any death tax. Estates worth more than the exemption level would pay some tax, though significantly less than previous levels. At press time for this report, the Senate had yet to act on this compromise legislation.

Immigration Reform Update

Congress is currently making an effort to reform our nation's immigration system. In December 2005, the House passed, with my support, H.R. 4437, the Border Protection, Antiterrorism, and Illegal Immigration Control Act. It includes measures to strengthen border security and improve enforcement of existing law. In May 2006, the Senate passed, S. 2611, the Comprehensive Immigration

Reform Act of 2006, by a vote of 62 to 36. The Senate bill also contains provisions to strengthen border security and interior enforcement; however, it contains a guest worker plan, which the House bill did not include. Congress must now work together toward the difficult task of reconciling the differences between the two versions of the bill.

PENNSYLVANIA AGRICULTURE FACTS

- Agriculture is Pennsylvania's number one industry, contributing \$45 billion to the economy through production, food processing, marketing, transportation and manufacturing.
- About a quarter of all land area in Pennsylvania is comprised of farmland (2002 data).
- Market value of all agriculture production in Pennsylvania was approximately \$7,026,739,000 in 2004.
- Pennsylvania ranks the following out of all other states (2003 data):
 - # 1 in mushroom production
 - # 4 in milk production
 - # 4 in egg production
 - # 4 in apple production
 - # 4 in freestone peach production
- With 1,640,000 head of cattle, Pennsylvania ranks 6th in the U.S. for number of cattle and 11th among all states in commercial red meat production.